

# EFFECTIVE WRITING FOR AUDITORS AND ACCOUNTANTS

Fall 2016

Presented by Billy Morehead, Ph.D., CPA, CGFM

Associate Professor of Accountancy

Mississippi College, Clinton, MS

[morehead@mc.edu](mailto:morehead@mc.edu)

601-925-7742



Kim Hunt / facebook.com/PictureMississippi

# Think About Government Accounting

---

**SNOOZE**

**Boring – Lack-Luster**

**Mundane**

**Green Eye Shades**

**Subtle Number Sleuth**

**Razor Sharp**

**Wizard**

**Financial Genius**

2

## Who Responded?

---

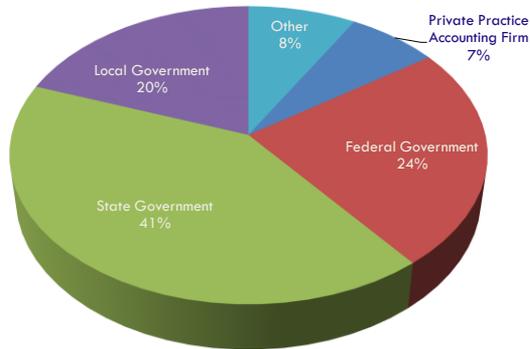
### Survey:

- Summer/Fall 2014
- Over 500 Government Financial Managers
  - 97% - Bachelors
  - 39% - Graduate (masters and doctorate)
  - More than 50% have certifications (CPA & CGFM were top 2)
  - 26% - 11-20 years
  - 40% - over 21 years

3

# Who Responded?

Exhibit 1: Respondents' Primary Employer



4

# Who Responded?

## Survey – Relevant Core Skills for New Hires:

- Critical Thinking
- Financial Analysis
- Effective Oral & Written Communications

5

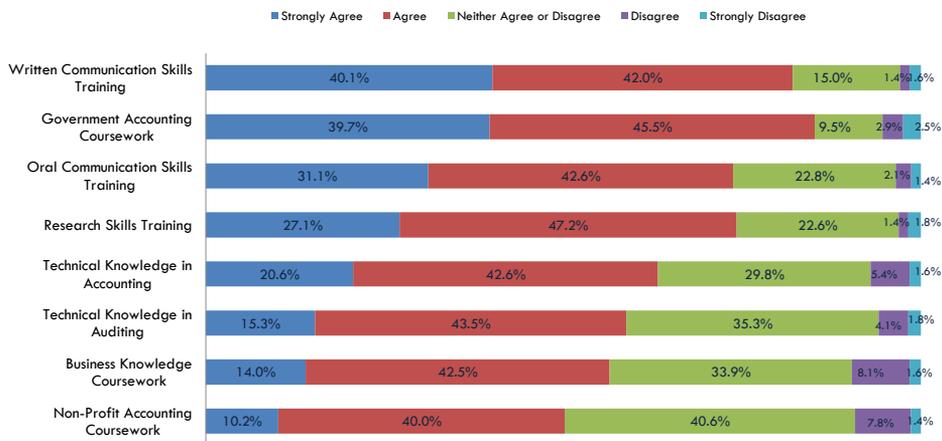
## Survey – How Prepared are New Hires?

- 58% - Somewhat
- 33% - Adequately
- 5% - Strongly

6

## Who Responded?

Exhibit 2: Skills Accounting Graduates Need



7

# What Makes Communicating Work?

8

**Knowing the difference between Spaghetti and Waffles...**



8

## Four Communication Topics

9

- ❑ **Listening – avoiding conflict and costly errors while improving relationships with staff, colleagues, and clients**
- ❑ **Writing – producing clear and concise correspondence quickly (including work papers)**
- ❑ **Talking – using the power of professional language to create a positive, credible impression, while avoiding potential miscommunication**
- ❑ **Presenting – developing and giving small group presentations effectively**

9

## What % of Time Do You Spend on Each of These on a Daily Basis in an Office Environment?

10

<b>□ Writing</b>	<b>□ 9%</b>
<b>□ Reading</b>	<b>□ 16%</b>
<b>□ Talking</b>	<b>□ 35%</b>
<b>□ Listening</b>	<b>□ 40%</b>

Source: Ralph Nichols

10

## Benefits of Good Communication

11

- Saves your firm money by avoiding costly errors or misunderstandings**
- Avoid conflict & build stronger relationships with staff, colleagues, and clients**
- Get more work done by working efficiently**
- Less bogged down by dealing with troublesome situations arising due to poor communication**
- Convey a positive and professional image**

11

## Fundamental to Key Listening

12

### **LUNA**

**L – listen to**

**U – understand**

**N – not to**

**A – agree**

12

## Four Listening Traps

13

- ▣ **Focus – where will you give your focus/attention?**
- ▣ **Faking it – are you attempting to listen when you can't?**
- ▣ **One size fits all – are you listening to everyone in the same manner regardless of the situation?**
- ▣ **Sidetracks – are you getting distracted?**

13

## Five Listening Approaches

14

- **Appreciative** – relax, enjoy, be entertained & inspired; find humor
- **Empathic** – support the speaker; accept message without judgment; patient
- **Comprehensive** – organizes & makes sense of information; main idea & supportive arguments
- **Discerning** – seeks complete information; nothing missed; takes notes; sorts details
- **Evaluative** – makes decisions based on information provided; may question speaker’s motives; expects factual support of message

14

## Two Main Types of Writers

15

- **Methodical Plodders** – works sequentially through each phrase; organized; disciplined; carefully gathers facts; analyzes them; outlines; drafts (in order by section); rigid; carefully considers tone, syntax, and word selection; writes slowly & deliberately making sure every fact, idea, and concept are adequately covered
- **Brainstormers** – cannot be bothered by outlines or other manifestations of sequential thinking; tend to see issues, problems & projects holistically; ideas do not proceed logically from one point to the next; all ideas “appear” at once and this is how brainstormers want to communicate their ideas

15

# Plodders & Brainstormers

Phases:	Methodical Plodder	Brainstormer
<input type="checkbox"/> Preparation	<input type="checkbox"/> Plans & organizes <input type="checkbox"/> Imposes structure <input type="checkbox"/> Prepares detailed outline	<input type="checkbox"/> Minimal planning <input type="checkbox"/> Unstructured
<input type="checkbox"/> Composition	<input type="checkbox"/> Follows outline <input type="checkbox"/> Writes sequentially <input type="checkbox"/> Writes linearly	<input type="checkbox"/> Begins anywhere <input type="checkbox"/> Writes all-at-once
<input type="checkbox"/> Review	<input type="checkbox"/> First draft = last draft <input type="checkbox"/> Minimal revision <input type="checkbox"/> Minimal editing	<input type="checkbox"/> Organizes raw material <input type="checkbox"/> Imposes structure <input type="checkbox"/> Multiple drafts/revisions <input type="checkbox"/> Significant editing

16

## What Makes Writing Work?

17

Tips for the effective writer:

- Content – accurate, relevant, knowledgeable**
- Critical thinking – analyze, address questions & concerns**
- Appropriateness for readers – level, understandable, meaningful**
- Conciseness – as few words as possible**
- Clarity – simply, precisely, well-structured sentences**
- Coherence – logical, orderly relationship of ideas**
- Revision – polished & professional; look attractive, free of grammar & mechanical errors**

17

## Know & Evaluate Your Audience

18

- ❑ **Number of people reading message**
- ❑ **Level of financial or intellectual sophistication**
- ❑ **Familiarity & involvement with subject**
- ❑ **Role/level within organization**
- ❑ **Organizational relationship with you**
- ❑ **Agreement/resistance to your argument, recommendation, or perspective**

18

## Know & Evaluate Your Audience

19

- ❑ **Authority to receive confidential information**
- ❑ **Personality**
- ❑ **Receptivity to humor**
- ❑ **Likelihood to read your message**
- ❑ **Likelihood to forward your message to others**
- ❑ **Likelihood to act on your message**
- ❑ **Openness to change and new ideas**

19

How do I know  
what I think until I  
see what I say?

An illustration of ineffective communication

## YOU are a good writer...already!

22

- ▣ **Educated**
- ▣ **Writing about topics you understand & find interesting**
- ▣ **Content is simple and direct (mostly)**

22

## Writing & Critical Thinking

23

- ▣ **Fair & open minded**
- ▣ **Asks appropriate questions**
- ▣ **Considers all relevant information**
- ▣ **Considers multiple view points**
- ▣ **Considers pros and cons**
- ▣ **Careful to avoid errors or fallacies in thinking or analyses**

23

## Communication & Ethics

24

- ▣ **Highly ethical profession**
- ▣ **Legal requirements & codes of conduct**
- ▣ **Ethical considerations affect the way we communicate in our profession**
- ▣ **Ethics affects the attitude with which we regard our clients, colleagues, & public**

24

## Methods of Communication

25

- ▣ **What is the purpose**
- ▣ **Who is the audience**
- ▣ **What are their needs (any legal requirements or obligations)**
- ▣ **What is the format expected**
- ▣ **How can the information be most fairly & effectively presented**
- ▣ **Can the information be misunderstood**
- ▣ **Time or cost constraints**

25

# Communication Strategy

26

Plan

Draft

Revise

26

# Getting Your Ideas Together

27

- ▣ **Gather information**
- ▣ **Generate ideas**
- ▣ **Arrange ideas – organization**
  - **Introduction**
  - **Concise statement of main ideas**
  - **Develop main ideas**
  - **Conclusion**
- ▣ **Write (Type)**
- ▣ **Revise (from the readers perspective)**

27

## Be Descriptive

28

1. In a while
2. This afternoon
3. Next week
4. Big building
5. Nearby
6. Inexpensive computer
7. A long distance
8. Is this a lot of trouble?
9. Is this a big deal?
1. By 11:00 a.m. today
2. By 4:30 p.m. this afternoon
3. On Wednesday of next week
4. 5-story building
5. 2 blocks away
6. A \$600 computer
7. 2,000 miles
8. How long will it take you to do this?
9. How important is this to you on a scale of 1 to 10?

28

## Homonyms

29

- See (the verb)
- Sea (body of water)
- Bear (the animal; replaced Colonel Reb)
- Bare (uncovered)
- Deer (the animal)
- Dear (term of address)
- Dog (the animal)
- Dawg (bad grammar at MSU)
- Go (reflected movement)
- Geaux (bad grammar at LSU)
- Plane (mode of transport)
- Plain (unadorned)
- Break (to divide into parts)
- Brake (to stop or slow)
- Some (a certain amount)
- Sum (to total)
- Wood (made from trees)
- Would (the auxiliary verb)
- Eye (what we see with)
- I (the pronoun)
- Threw (the verb)
- Through (the preposition)

29

# Homonyms

30

- Know (the verb)
- Hour (unit time)
- Write (the verb)
- Their (the pronoun)
- Which (the pronoun)
- Site (location)
- Way (a direction)
- Wait (a four-letter word)
- So (therefore)
- To (a direction)
- No (negative)
- Our (the pronoun)
- Right (correct)
- There (place); They're (a contraction)
- Witch (the broom rider)
- Cite (refer to a source)
- Weigh (determine weight)
- Weight (a six-letter word)
- Sew (to stitch with thread)
- Two (a number); Too (also)

30

# Just Do It!

31

- **Plan before you write so you know what you need to say**
- **Write an outline to follow; but, write in any order you want (you can rearrange later)**
- **Don't strive for perfection in the draft stage (leave grammar, spelling, style for revision stage)**
- **Begin with the easiest sections to write**
- **Don't bog down in difficult sections...skip over them and go onto something else**

31

## Flow of Thought...Coherence

32

- **Begin with the end in mind; then give your support**
- **Summarize the main idea into ONE sentence**
- **The main idea is central to the entire document**
- **Remove digressions & irrelevant sentences**
- **What is the bottom line...the point of your research or audit work?**
- **A paper longer than 3-4 paragraphs probably has more than one main idea or recommendation...subdivide into sections**
- **Length & complexity determine amount of detail in your conclusion**

32

## Transitional Words & Phrases

33

- **Adding a point or piece of information**
  - *and, also, in addition, moreover, furthermore, first/second/third...finally*
- **Making an exception or contrasting point**
  - *but, however, nevertheless, on the other hand, yet, still, on the contrary, in spite of, nonetheless*
- **Giving specific examples or illustrations**
  - *For example, for instance, as an illustration, in particular, to illustrate*
- **Clarifying a point**
  - *that is, in other words, in effect, put simply, stated briefly*
- **Conceding a point**
  - *granted, it may be true, even though, although*

33

## Transitional Words & Phrases

34

- **Indicating place, time, or importance**
  - **Place:** *above, beside, beyond, to the right, below, near*
  - **Time:** *formerly, earlier, previously, today, next, later, before, tomorrow, now*
  - **Importance:** *foremost, especially, most importantly, of least importance*
- **Indicating stages in an argument, process or series**
  - *initially, to begin with, first, so far, second, next, after, finally, last*
- **Giving a result**
  - *as a result, consequently, accordingly, as a consequence, therefore, hence, then*
- **Summing up or restating the central point**
  - *in summary, to summarize, to conclude, in conclusion*
- **Adding emphasis**
  - *indeed, clearly*

34

## Be Careful With Pronouns

35

**The managers told the accountants they did not understand company policy.**

**Who is “they”?**

35

## Good Advice

36

- ❑ **Length of a paragraph – 4-5 sentences**
- ❑ **Be concise...make every word count**
- ❑ **Write simply...avoid “big” words & long and complicated sentences**
- ❑ **Average sentence should be about 10-12 words long**
- ❑ **Write with active verbs and descriptive nouns**
- ❑ **Careful with “jargon”; define technical terms when necessary**
- ❑ **Be precise – avoid ambiguous or unclear writing**

36

## Good Advice

37

- ❑ **Concrete, specific writing adds clarity**
- ❑ **Use active voice for most sentences**
- ❑ **Vary vocabulary, sentence length, and structure**
- ❑ **Read writing aloud to hear how it “sounds”**
- ❑ **Write from the reader’s point of view; use tone to show courtesy and respect**
- ❑ **Proofread for grammar, punctuation, spelling, and typographical errors**

37

## Watch Out...Major Sentence Errors

38

- ❑ **Fragments**
- ❑ **Comma splices**
- ❑ **Fused (run-on) sentences**
- ❑ **Subject-verb agreement**
- ❑ **Problems with pronouns & gender**
- ❑ **Problems with modifiers**

38

## Watch Out...Major Sentence Errors

39

- ❑ **Parallel structure**
- ❑ **Apostrophes and plurals**
- ❑ **Commas and semi-colons**
- ❑ **Direct quotations (placement of punctuation)**
- ❑ **Spelling (using the correct word; homonyms)**
- ❑ **Billy's Pet Peeves**

39

## Elements of Critical Thinking & Writing

40

- **Apply professional skepticism**
- **Identify and solve unstructured problems**
- **Develop reasonable hypotheses to answer a question or resolve problem**
- **Formulate and examine alternative solutions (relative strength & weaknesses, level of risk, & appropriateness)**
- **Develop logical conclusions through inductive and deductive reasoning**

40

## Making an Argument

41

- **Identify the key issues**
- **Anticipate all sides of an argument**
- **Research all sides to the argument (using authoritative resources)**
- **Weigh the evidence for all sides to the argument; and, build support for your position**
- **Identify and respond to counterarguments**
- **Communicate your conclusions**

41

## Billy's Pet Peeves

42

- ❑ **Less vs. Fewer**
- ❑ **Affect vs. Effect**
- ❑ **Toward vs. Towards**
- ❑ **Principal vs. Principle**
- ❑ **Regardless vs. Irregardless**
- ❑ **Me and I**
- ❑ **“I could care less...” vs. “I couldn’t care less...”**
- ❑ **Be careful in using spell and/or grammar check**

42

## Five Components of Audit Observations

43

1. **Identify types of criteria**
  - Internal, external, best practice
2. **Create condition summaries**
  - Summary of facts to details
3. **Determine levels of cause**
  - Contiguous: action or lack of action leading directly to condition
  - Transitional: cause or causes leading to proximate cause
  - Core: underlying cause
4. **Determine levels of effect (risk, exposure, consequences)**
  - Direct, one-time effect
  - Cumulative effect on the process
  - Cumulative effect on the entity
  - High-level, systematic effect

43

## Five Components of Audit Observations

44

### 5. Create recommendations & action plans

- **Cause-focused** – address actionable causes; identify and describe what is to be done to prevent recurrences of the condition (essential for material observations)
- **Condition-focused** – address the condition identified and describe what will be done to correct the condition (may not be required)
- **Recovery-focused** – address the consequence of the condition and describe what will be done to correct errors caused by the condition (not always appropriate based on the condition)

44

## Five Components of Audit Observations

45

### □ Create recommendations & action plans

- Recommendations of potential improvements
- Suggested corrective actions
- Based on observations and conclusions
- May suggest an approach to correcting or enhancing performance
- May be general or specific

45

## General Shortcomings of Work Papers

46

- ❑ **Lack of evidence or failure to carry out a procedure**
- ❑ **Lack of clarity about what the staff member did and found**
- ❑ **Inefficiencies**
- ❑ **Clerical issues (such as headings, not changing information from prior to current year/client)**

46

## Typical Shortcomings of Work Papers

47

- ❑ **Client's accounting procedures not adequately described**
- ❑ **Scope requirements poorly documented**
- ❑ **Findings/conclusions not satisfactorily stated or evident**
- ❑ **footings, calculations, & rounding inaccurate or unchecked (particularly on client-prepared schedules)**
- ❑ **Technical memos on significant auditing or accounting problems encountered not prepared or inadequate**
- ❑ **Source of data not indicated**
- ❑ **Preparers' or reviewers' signature/initials missing**

47

## Typical Shortcomings of Work Papers

48

- ❑ **Dates, names, amounts, procedures, or other pertinent information missing**
- ❑ **Date work performed & working paper prepared not shown**
- ❑ **Tick marks unexplained**
- ❑ **Working paper headings are incomplete**
- ❑ **Working papers prepared by client not noted by PBC; and, not noted as to tested/verified by auditor**
- ❑ **Cross-references are incorrect, incomplete, or missing**
- ❑ **Working papers not properly indexed**

48

## Typical Shortcomings of Work Papers

49

- ❑ **Exceptions, questions, to-dos, or pending matters no properly cleared or carried forward to a final pending-matters list**
- ❑ **Disposition of exceptions, of to-dos, and other matters not adequately documented**
- ❑ **Adequate data (including correct names, amounts, dates, etc.) for the preparation or support of reports, footnotes, & letters not gathered**
- ❑ **Tasks performed mechanically & lack evidence of understanding of the over purpose of the procedure**
- ❑ **Format of PY working papers followed even when it was not the most effective approach**

49

## Typical Shortcomings of Work Papers

50

- ❑ Previous “for next time” memos from PY working papers inadequately reviewed or followed
- ❑ Trails in summarizing figures (particularly in f.s. and footnotes) are inadequate or nonexistent
- ❑ References to conversations have no evidential documentation
- ❑ Important information (spelling of names, SS#'s, dates, descriptions, amounts, terms) needed for confirmation, inspection, or other procedures is not accurate or legible
- ❑ Confirmations were for wrong amounts, sent to the wrong parties, wrong addresses because they were not verified before mailing
- ❑ Permanent file was not carefully updated

50

## Typical Shortcomings of Work Papers

51

- ❑ Beginning balances not traced back to PY ending balances
- ❑ Adjusting/reclassification entries not posted to TB or applicable WP
- ❑ Useless information has been transcribed on WP
- ❑ Exceptions not properly brought to client's attention or acknowledgments were not obtained or documented
- ❑ Important calculations on WPs not rechecked
- ❑ AJEs were not checked for correct posting by totaling and balancing AJE WPs and providing the net change in NI or loss

51

## Typical Shortcomings of Work Papers

52

- ❑ **Reclassification entries not checked for correct posting by totaling and balancing related WPs**
- ❑ **No documentation to show that WPs prepared by assistants were properly reviewed by the in-charge**
- ❑ **Required questionnaires not completed**
- ❑ **Effective control over supporting records & documents lost or nonexistent**
- ❑ **Data necessary for preparation of tax returns not obtained**
- ❑ **Applicable standard WPs forms prescribed by the firm not used**
- ❑ **Budget and time summaries not properly completed**

52

## Typical Shortcomings of Work Papers

53

- ❑ **Observations and other items pertinent to preparation of the report, communications about IC, and the management letter were:**
  - **Not properly recorded or fully documented**
  - **Scattered throughout the WPs rather than being consolidated on a matter listing with cross-references to supporting WPs, reports, letter drafts**
- ❑ **Most important exceptions & comments with the in-charge for draft report & letters were not adequately spotlighted for discussion with client, partner, and audit staff.**

53

# QUESTIONS?

Presented by:  
Billy Morehead, Ph.D., CPA, CGFM  
Associate Professor of Accountancy  
Mississippi College, Clinton, MS  
[morehead@mc.edu](mailto:morehead@mc.edu)  
601-925-7742

